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RUEHSW/AMEMBASSY BERN PRIORITY 1084
RUEHBY/AMEMBASSY CANBERRA PRIORITY 0206
RUEHOT/AMEMBASSY OTTAWA PRIORITY 0470
RUEHUL/AMEMBASSY SEOUL PRIORITY 0159
RUEHTC/AMEMBASSY THE HAGUE PRIORITY 1007
RUEHKO/AMEMBASSY TOKYO PRIORITY 0354
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

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SIPDIS

SENSITIVE
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STATE FOR EUR/AGS - SAINT-ANDRE

E.O. 12958: N/A
TAGS: [ECON](#) [EFIN](#) [IZ](#) [AU](#)
SUBJECT: DEMARCHE TO AUSTRIA ON DEBT RELIEF --
INTERNATIONAL COMPACT WITH IRAQ

REF: STATE 181094

¶1. (SBU) Charge delivered reftel demarche on November 6 to Ralph Scheide, the Austrian MFA's Director for the Middle East and Africa. Charge especially urged that Austria forgive the remaining 20 percent of Iraq's debt.

¶2. (SBU) Scheide noted that Austria's forgiveness of 80 percent of Iraq's debt had represented debt relief amounting to approximately one percent of Austria's GDP. He said it would be extremely difficult for Austria to forgive more debt, or to provide a grant in the amount of remaining debt. He reported that Iraq expenditures were taking a large share of Austria's available development funds, leaving Austrian development authorities with very little discretion to fund priorities elsewhere. (Note: As government coalition talks enter their second month, the federal government cannot pass a new budget. In each month, it can only spend one-twelfth of the previous year's budget. This leaves very little room for major new initiatives. End note.)

¶3. (SBU) However, Scheide said that if the Paris Club discussed further debt relief for Iraq, Austria would naturally consider the issue again in that context.

¶4. (SBU) Post will continue to press this point with Austrian officials.
Phillips